

CITY OF KEOSAUQUA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

CITY OF KEOSAUQUA, IOWA

TABLE OF CONTENTS
JUNE 30, 2011

	<u>PAGE</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS:	
	<u>EXHIBIT</u>
GOVERNMENT-WIDE FINANCIAL STATEMENT:	
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS	A 9-10
GOVERNMENTAL FUND FINANCIAL STATEMENT:	
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES	B 11
PROPRIETARY FUND FINANCIAL STATEMENT:	
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES	C 12
NOTES TO FINANCIAL STATEMENTS	13-19
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSMENTS AND CHANGES IN BALANCES – BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS, PROPRIETARY FUNDS AND COMPONENT UNITS	20-21
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING	22
OTHER SUPPLEMENTARY INFORMATION:	<u>SCHEDULE</u>
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES – NONMAJOR PROPRIETARY FUNDS	1 23
SCHEDULE OF INDEBTEDNESS	2 24-25
BOND AND NOTE MATURITIES	3 26
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS	4 27
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	5 28
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	29-30
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	31-32
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	33-35

CITY OF KEOSAUQUA, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Hranicka	Mayor	2014
Mike Rippy	Council Member	2012
Larry Shipley	Council Member	2014
Katie Nichols	Council Member	2014
Matt Manning	Council Member	2012
Twyla Peacock	Council Member	2012
John Morrissey	Attorney	Appointed
Linda Mott	Clerk	Appointed

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Keosauqua, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Keosauqua, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Keosauqua, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at June 30, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at June 30, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Keosauqua, Iowa as of June 30, 2011, and the respective changes in a cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 20 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keosauqua, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Keosauqua, Iowa
March 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Keosauqua, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 24.1%, or \$150,938, from fiscal 2010 to fiscal 2011. Operating and capital grants, contributions and restricted interest increased \$150,862.
- Disbursements increased 16.3%, or \$97,245, in fiscal 2011 from fiscal 2010. Public works disbursements increased \$104,716.
- The City's total cash basis net assets increased 9.2%, or \$83,531 from June 30, 2010 to June 30, 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor proprietary funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment Fund, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. The City also maintains six smaller ancillary funds that are related to the operations of the water and sewer funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from 911,639 to \$995,170. The analysis that follows focuses on the changes in cash basis net assets for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Receipts and transfers		
Program receipts:		
Charges for service	\$ 112,136	\$ 91,160
Operating grants, contributions and restricted interest	234,103	217,454
Capital grants, contributions and restricted interest	134,213	-
General receipts:		
Property tax	175,227	157,707
Local option sales tax	52,719	68,573
Unrestricted investment earnings	9,106	14,932
Other general receipts	89,515	77,380
Transfers, net	<u>(28,875)</u>	<u>-</u>
Total receipts and transfers	<u>778,144</u>	<u>627,206</u>
Disbursements:		
Public safety	39,551	38,026
Public works	381,654	276,938
Culture and recreation	93,710	85,879
Community and economic development	78,172	59,400
General government	85,307	91,924
Debt service	16,219	15,550
Capital projects	<u>-</u>	<u>29,651</u>
Total disbursements	<u>694,613</u>	<u>597,368</u>
Change in cash basis net assets	83,531	29,838
Cash basis net assets beginning of year	<u>911,639</u>	<u>881,801</u>
Cash basis net assets end of year	\$ <u>995,170</u>	\$ <u>911,639</u>

The City's total receipts for governmental activities increased by 24.1%, or \$150,938. The total cost of all programs and services increased by \$97,245, or 16.3%. The increase in disbursements was primarily the result of increases in public works expenditures.

The City's property tax receipts increased by \$17,520 in 2011. Based on the total assessed valuation, property tax receipts are budgeted to increase by \$4,945 next year.

The cost of all governmental activities this year was \$694,613 compared to \$597,368 last year. However, as shown in the Statement of Activities and Net Assets on pages 9 and 10, the amount taxpayers ultimately financed for these activities was only \$214,161 because some of the cost was paid by those directly benefited from the programs \$112,136 or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$368,316. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2011 from \$627,206 to \$778,144. The City paid for the remaining "public benefit" portion of governmental activities with \$326,567 in property tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 337,807	\$ 328,372
Sewer	123,490	118,504
Capital grants, contributions and restricted interest	550,925	523,218
General receipts:		
Unrestricted interest on investments	1,849	1,916
Note proceeds	494,177	-
Other general receipts	4,236	-
Transfers, net	28,875	-
Total receipts	<u>1,541,359</u>	<u>972,010</u>
Disbursements:		
Water	1,002,231	724,077
Sewer	451,162	182,427
Total disbursements	<u>1,453,393</u>	<u>906,504</u>
Increase in cash balance	87,966	65,506
Cash basis net assets beginning of year	<u>411,994</u>	<u>346,488</u>
Cash basis net assets end of year	\$ <u>499,960</u>	\$ <u>411,994</u>

Total business type activities receipts for the fiscal year were \$1,541,359 compared to \$972,010 last year. This significant increase was due primarily to the receipt of \$494,177 in loan proceeds related to the water and sewer projects. The cash balance increased by \$87,966 from the prior year because of grant and loan proceeds related to the water and sewer projects that had not been expended as of year end. Total disbursements for the fiscal year increased by 60.3% to a total of \$1,453,393 due to water and sewer project expenditures.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Keosauqua, Iowa completed the year, its governmental funds reported a combined fund balance of \$997,170, an increase of \$83,531 from last year's total of \$911,639. The following are the significant reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$30,911 from the prior year to \$550,839.
- The Library Fund cash balance decreased by \$13,017. The decrease is due to expenditures exceeding receipts and transfers in.
- The Urban Renewal Tax Increment Fund cash balance increased by \$59,049 due to tax increment collections in excess of debt service expenditures and transfers out.
- The Road Use Tax Fund cash balance increased by \$6,588 to \$74,932 during the fiscal year. This increase was attributable to road use taxes received in excess of the amount spent on current year projects. The City intends to use this money to upgrade the condition of City roads.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$54,572 to \$222,966, due primarily to water project receipts not expended prior to year end.
- The Sewer Fund cash balance increased by \$2,087 to \$176,738.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 10, 2011 and resulted in an increase in operating disbursements of \$286,400. The City had sufficient cash balances to absorb these additional costs. The City exceeded the amounts budgeted in the community and economic development function.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$1,354,998 in bonds and other long-term debt, compared to approximately \$1,180,139 last year, as shown below.

Outstanding Debt at Year End

	<u>2011</u>	<u>June 30,</u> <u>2010</u>
Sewer projects	\$ 300,287	\$ 319,063
Water projects	957,489	751,254
TIF projects	<u>97,222</u>	<u>109,822</u>
Total	\$ <u>1,354,998</u>	\$ <u>1,180,139</u>

Debt increased as a result of issuing revenue notes for water construction projects.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$97,222 is significantly below its constitutional debt limit of \$1,226,582.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Keosauqua's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 6.3% (October 2011), versus 6.6% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.0%.

Inflation in the State is higher than the national Consumer Price Index increase. The State's CPI increase was 10.8% for fiscal year 2011 compared with the national rate of 7.6%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$2,560,846, a decrease of 37.5% from the final 2011 budget. The majority of this decrease is due to a decrease in intergovernmental revenues related to the water and sewer projects. Budgeted disbursements are expected to decrease by approximately \$1,649,343. Again, the majority of the decrease relates to the aforementioned water and sewer projects. The City has added no major new programs or initiatives to the 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by \$156,729 by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Mott, City Clerk, 804 1st Street, Keosauqua, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF KEOSAUQUA, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 39,551	\$ -	\$ -	\$ -
Public works	381,654	79,601	101,082	134,213
Culture and recreation	93,710	2,254	26,903	-
Community and economic development	78,172	16,092	106,118	-
General government	85,307	14,189	-	-
Debt service	16,219	-	-	-
Total governmental activities	<u>694,613</u>	<u>112,136</u>	<u>234,103</u>	<u>134,213</u>
Business type activities:				
Water	1,002,231	337,807	-	222,333
Sewer	451,162	123,490	-	328,592
Total business type activities	<u>1,453,393</u>	<u>461,297</u>	<u>-</u>	<u>550,925</u>
Component units:				
Electric utility	1,430,439	1,489,713	-	-
Total	<u>\$ 3,578,445</u>	<u>\$ 2,063,146</u>	<u>\$ 234,103</u>	<u>\$ 685,138</u>
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Local option sales tax				
Note proceeds				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Component Unit	Total
\$ (39,551)	\$ -	\$ -	\$ (39,551)
(66,758)	-	-	(66,758)
(64,553)	-	-	(64,553)
44,038	-	-	44,038
(71,118)	-	-	(71,118)
(16,219)	-	-	(16,219)
<u>(214,161)</u>	<u>-</u>	<u>-</u>	<u>(214,161)</u>
-	(442,091)	-	(442,091)
-	920	-	920
-	<u>(441,171)</u>	-	<u>(441,171)</u>
-	-	59,274	59,274
<u>(214,161)</u>	<u>(441,171)</u>	<u>59,274</u>	<u>(596,058)</u>
175,227	-	-	175,227
52,719	-	-	52,719
-	494,177	-	494,177
9,106	1,849	9,437	20,392
89,515	4,236	-	93,751
(28,875)	28,875	-	-
<u>297,692</u>	<u>529,137</u>	<u>9,437</u>	<u>836,266</u>
83,531	87,966	68,711	240,208
<u>911,639</u>	<u>411,994</u>	<u>1,266,397</u>	<u>2,590,030</u>
\$ <u>995,170</u>	\$ <u>499,960</u>	\$ <u>1,335,108</u>	\$ <u>2,830,238</u>
\$ 74,932	\$ -	\$ -	\$ 74,932
267,622	-	-	267,622
-	88,796	-	88,796
101,777	11,460	9,319	122,556
<u>550,839</u>	<u>399,704</u>	<u>1,325,789</u>	<u>2,276,332</u>
\$ <u>995,170</u>	\$ <u>499,960</u>	\$ <u>1,335,108</u>	\$ <u>2,830,238</u>

CITY OF KEOSAUQUA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Special Revenue</u>				
	<u>General</u>	<u>Library</u>	<u>Urban Renewal Tax Increment</u>	<u>Road Use Tax</u>	<u>Total</u>
RECEIPTS:					
Property tax	\$ 173,848	\$ -	\$ -	\$ -	\$ 173,848
Tax increment financing collections	-	-	106,118	-	106,118
Other City tax	54,098	-	-	-	54,098
Use of money and property	12,949	1,082	-	-	14,031
Intergovernmental	150,305	-	-	101,082	251,387
Charges for service	83,034	1,534	-	-	84,568
Miscellaneous	97,148	25,821	-	-	122,969
Total receipts	<u>571,382</u>	<u>28,437</u>	<u>106,118</u>	<u>101,082</u>	<u>807,019</u>
DISBURSEMENTS:					
Operating:					
Public safety	39,551	-	-	-	39,551
Public works	287,160	-	-	94,494	381,654
Culture and recreation	16,256	77,454	-	-	93,710
Community and economic development	78,172	-	-	-	78,172
General government	85,307	-	-	-	85,307
Debt service	-	-	16,219	-	16,219
Total disbursements	<u>506,446</u>	<u>77,454</u>	<u>16,219</u>	<u>94,494</u>	<u>694,613</u>
Excess (deficiency) of receipts over (under) disbursements	<u>64,936</u>	<u>(49,017)</u>	<u>89,899</u>	<u>6,588</u>	<u>112,406</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,975	36,000	-	-	37,975
Transfers out	<u>(36,000)</u>	<u>-</u>	<u>(30,850)</u>	<u>-</u>	<u>(66,850)</u>
Total other financing sources (uses)	<u>(34,025)</u>	<u>36,000</u>	<u>(30,850)</u>	<u>-</u>	<u>(28,875)</u>
Net change in cash balances	30,911	(13,017)	59,049	6,588	83,531
CASH BALANCES - Beginning of year	<u>519,928</u>	<u>114,794</u>	<u>208,573</u>	<u>68,344</u>	<u>911,639</u>
CASH BALANCES - End of year	<u>\$ 550,839</u>	<u>\$ 101,777</u>	<u>\$ 267,622</u>	<u>\$ 74,932</u>	<u>\$ 995,170</u>
CASH BASIS FUND BALANCES					
Restricted for:					
Library	\$ -	\$ 101,777	\$ -	\$ -	\$ 101,777
Urban Renewal Tax Increment	-	-	267,622	-	267,622
Road Use Tax	-	-	-	74,932	74,932
Unassigned	<u>550,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>550,839</u>
Total cash basis fund balances	<u>\$ 550,839</u>	<u>\$ 101,777</u>	<u>\$ 267,622</u>	<u>\$ 74,932</u>	<u>\$ 995,170</u>

CITY OF KEOSAUQUA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES -
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds			
	Water	Sewer	Non-Major	Total
<u>Operating receipts:</u>				
Charges for service	\$ 337,807	\$ 123,490	\$ -	\$ 461,297
Miscellaneous	1,516	288	2,432	4,236
Total operating receipts	339,323	123,778	2,432	465,533
<u>Operating disbursements:</u>				
Business-type activities	919,605	416,847	-	1,336,452
Excess (deficiency) of operating receipts over (under) operating disbursements	(580,282)	(293,069)	2,432	(870,919)
<u>Non-operating receipts (disbursements):</u>				
Interest on investments	970	879	-	1,849
Proceeds from long-term debt	494,177	-	-	494,177
Debt service	(82,626)	(34,315)	-	(116,941)
Total non-operating receipts (disbursements)	412,521	(33,436)	-	379,085
Excess (deficiency) of receipts over (under) disbursements	(167,761)	(326,505)	2,432	(491,834)
<u>Other financing sources (uses):</u>				
Capital grants	222,333	328,592	-	550,925
Transfers in	82,626	31,768	257,663	372,057
Transfers out	(82,626)	(31,768)	(228,788)	(343,182)
Total other financing sources (uses)	222,333	328,592	28,875	579,800
Net change in cash balances	54,572	2,087	31,307	87,966
<u>CASH BALANCES - Beginning of year</u>	168,394	174,651	68,949	411,994
<u>CASH BALANCES - End of year</u>	\$ 222,966	\$ 176,738	\$ 100,256	\$ 499,960
<u>CASH BASIS FUND BALANCES</u>				
Reserved for:				
Debt service	\$ -	\$ -	\$ 88,796	\$ 88,796
Customer deposits	-	-	11,460	11,460
Unrestricted	222,966	176,738	-	399,704
Total cash basis fund balances	\$ 222,966	\$ 176,738	\$ 100,256	\$ 499,960

CITY OF KEOSAUQUA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Keosauqua, Iowa is a political subdivision of the State of Iowa located in Van Buren County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Keosauqua, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Keosauqua, Iowa (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The Keosauqua Municipal Light and Power is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utility is governed by a three-member board appointed by the City Council and the Utility's operating budget is subject to the approval of the City Council.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the Van Buren County solid waste commission.

B. Basis of Presentation

Government-Wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

CITY OF KEOSAUQUA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From this fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Library Fund is used to account for all library activities.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

CITY OF KEOSAUQUA, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF KEOSAUQUA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 2: CASH AND POOLED INVESTMENTS (CONTINUED)

The City's investments at June 30, 2011 are as follows:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Time deposits	\$ <u>110,427</u>	\$ <u>110,427</u>

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3: BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for revenue and tax increment financing revenue bonds/notes are as follows:

<u>Year Ending</u>	<u>Tax Increment Financing Revenue Bonds</u>		<u>Revenue Bonds/Notes</u>		<u>Total</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 13,400	\$ 5,875	\$ 70,246	\$ 50,065	\$ 83,646	\$ 55,940
2013	14,500	5,015	74,943	47,871	89,443	52,886
2014	15,500	4,093	76,723	44,824	92,223	48,917
2015	16,700	3,106	80,591	41,687	97,291	44,793
2016	17,900	2,045	83,553	38,393	101,453	40,438
2017	19,222	905	87,612	34,970	106,834	35,875
2018	-	-	89,773	31,379	89,773	31,379
2019	-	-	95,041	27,680	95,041	27,680
2020	-	-	93,092	23,771	93,092	23,771
2021	-	-	80,008	19,939	80,008	19,939
2022	-	-	82,487	16,837	82,487	16,837
2023	-	-	77,750	13,628	77,750	13,628
2024	-	-	55,000	10,628	55,000	10,628
2025	-	-	56,000	8,840	56,000	8,840
2026	-	-	59,000	7,021	59,000	7,021
2027	-	-	46,957	5,143	46,957	5,143
2028	-	-	24,000	1,593	24,000	1,593
2029	-	-	25,000	813	25,000	813
Total	\$ <u>97,222</u>	\$ <u>21,039</u>	\$ <u>1,257,776</u>	\$ <u>425,082</u>	\$ <u>1,354,998</u>	\$ <u>446,121</u>

Water Revenue Bonds

On August 14, 1979, the City entered into a loan agreement to issue \$386,000 of water revenue bonds. The bonds require annual principal and interest payments through July 2019. The bonds carry an interest rate of 5.00%.

On January 14, 2009, the City entered into a loan agreement with the Iowa Finance Authority to issue \$374,000 of water revenue bonds. The bonds require annual principal and semiannual interest payments through June 2029. The bonds carry an interest rate of 3.25%.

On February 10, 2010, the City entered into a loan agreement with the Iowa Finance Authority to issue \$251,000 of water revenue bonds. The bonds require annual principal and semiannual interest payments through June 2030. The bonds carry an interest rate of 3.25%.

CITY OF KEOSAUQUA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 3: BONDS AND NOTES PAYABLE (CONTINUED)

Water Revenue Bonds (Continued)

On June 21, 2007, the City entered into a loan agreement with the Iowa Finance Authority to issue \$350,000 of water revenue bonds. The bonds require annual principal and semiannual interest payments through June 2027. The bonds carry an interest rate of 3.25%.

Sewer Revenue Bonds

On April 25, 1983, the City entered into a loan agreement to issue \$535,800 of sewer revenue bonds. The bonds require annual principal and interest payments through July 2022. The bonds carry an interest rate of 5.00%.

On September 30, 2003, the City entered into a loan agreement to issue \$35,000 of sewer revenue notes. The notes require annual principal and interest payments through June 2023. The notes carry an interest rate of 4.00%.

Urban Renewal Tax Increment Financing Revenue Bonds

On December 22, 1997, the City entered into a loan agreement to issue \$208,652 of urban renewal tax increment financing revenue bonds. The bonds require semiannual principal and interest payments through June 2017. The notes carry an interest rate of 3.26%.

Forgivable Loan

On February 10, 2010, the City entered into a forgivable loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$249,000 forgivable water revenue bonds. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa and the American Recovery and Investment Act of 2009 (ARRA) for the purpose of providing funds to pay a portion of the costs of constructing improvements to the City's water system. At June 30, 2011, the City had not yet met the requirements for the loan to be forgiven but in February 2012, the loan was forgiven.

The resolutions providing for the issuance of the revenue bonds (notes) include the following provisions:

- a. The bonds (notes) will only be redeemed from the future earnings of the appropriate funds (water, sewer and TIF) and the bond (note) holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate water and sewer revenue bond (note) sinking accounts within the Enterprise Funds for the purpose of making the bond (note) principal and interest payments when due.

In addition to the outside financing obtained for the TIF projects, additional monies for projects were advanced to the TIF fund by the water, sewer and general funds. The repayment of these advanced amounts is included as operating transfers in the schedule of cash transactions. Beginning balance, current year repayments, year end balance due and interest paid to the water, sewer and general funds are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>General</u>	<u>Total</u>
Balance due June 30, 2010	\$ 162,903	\$ 9,569	\$ 8,248	\$ 180,720
Current year advances	220,500	-	-	220,500
Current year repayments	<u>15,747</u>	<u>1,936</u>	<u>1,728</u>	<u>19,411</u>
Balance due June 30, 2011	\$ <u>367,656</u>	\$ <u>7,633</u>	\$ <u>6,520</u>	\$ <u>381,809</u>
Current year interest paid	\$ <u>10,904</u>	\$ <u>287</u>	\$ <u>247</u>	\$ <u>11,438</u>

CITY OF KEOSAUQUA, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2011 was \$14,006, equal to the required contributions for the year.

NOTE 5: RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$15,676.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital casualty contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

CITY OF KEOSAUQUA, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 5: RISK MANAGEMENT (Continued)

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned, but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011 is \$12,400. This liability has been computed based on rates of pay in effect at June 30, 2011.

NOTE 7: RELATED PARTY TRANSACTIONS

The City had business transactions between the City and the City's component unit, totaling \$25,032 during the year ended June 30, 2011. The City had transactions between the City and Keosauqua Municipal Light and Power as follows:

Paid to the City by the Utility for water and sewer fees	\$	<u>489</u>
Paid to the City by the Utility for bookkeeping services	\$	<u>11,446</u>
Paid to the Utility by the City for electrical service	\$	<u>13,097</u>

NOTE 8: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	
General	Urban renewal tax increment	\$ 1,975
Library	General	36,000
Water	Water debt service	82,626
Water debt service	Urban renewal tax increment	26,652
Water reserve	Water	82,626
Sewer	Sewer debt service	31,768
Sewer debt service	Urban renewal tax increment	2,223
Water debt service	Water reserve	82,626
Sewer debt service	Sewer reserve	31,768
Sewer reserve	Sewer	<u>31,768</u>
		\$ <u>410,032</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 9: CONSTRUCTION COMMITMENTS

The City has entered into various construction contracts related to various City projects as of June 30, 2011. The remaining balance on the contracts will be paid as work on the projects progresses.

NOTE 10: EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2012, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEOSAUQUA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS,
PROPRIETARY FUNDS AND COMPONENT UNITS
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Component Unit <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>				
Property tax	\$ 173,848	\$ -	\$ -	\$ 173,848
Tax increment financing collections	106,118	-	-	106,118
Other City tax	54,098	-	-	54,098
Licenses and permits	-	-	-	-
Use of money and property	14,031	1,849	9,437	25,317
Intergovernmental	251,387	550,925	-	802,312
Charges for service	84,568	461,297	1,442,511	1,988,376
Miscellaneous	122,969	4,236	47,202	174,407
Total receipts	<u>807,019</u>	<u>1,018,307</u>	<u>1,499,150</u>	<u>3,324,476</u>
<u>DISBURSEMENTS:</u>				
Public safety	39,551	-	-	39,551
Public works	381,654	-	-	381,654
Culture and recreation	93,710	-	-	93,710
Community and economic development	78,172	-	-	78,172
General government	85,307	-	-	85,307
Debt service	16,219	-	-	16,219
Business-type activities	-	1,453,393	1,430,439	2,883,832
Total disbursements	<u>694,613</u>	<u>1,453,393</u>	<u>1,430,439</u>	<u>3,578,445</u>
Excess (deficiency) of receipts over (under) disbursements	112,406	(435,086)	68,711	(253,969)
Other financing sources (uses), net	<u>(28,875)</u>	<u>523,052</u>	<u>-</u>	<u>494,177</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	83,531	87,966	68,711	240,208
<u>BALANCES</u> - Beginning of year	<u>911,639</u>	<u>411,994</u>	<u>1,266,397</u>	<u>2,590,030</u>
<u>BALANCES</u> - End of year	\$ <u>995,170</u>	\$ <u>499,960</u>	\$ <u>1,335,108</u>	\$ <u>2,830,238</u>

<u>Budgeted Amounts</u>		<u>Final</u>	<u>Final</u>
<u>Original</u>			<u>to Net</u>
			<u>Variance</u>
\$ 173,596	\$ 173,596	\$ 252	
111,393	111,393	(5,275)	
69,195	69,195	(15,097)	
2,860	2,860	(2,860)	
47,600	47,600	(22,283)	
1,723,174	1,755,174	(952,862)	
1,807,520	1,833,520	154,856	
41,900	105,900	68,507	
<u>3,977,238</u>	<u>4,099,238</u>	<u>(774,762)</u>	
42,808	42,808	3,257	
556,749	519,549	137,895	
88,000	132,800	39,090	
40,500	66,900	(11,272)	
102,510	109,810	24,503	
56,650	56,650	40,431	
<u>3,193,301</u>	<u>3,438,401</u>	<u>554,569</u>	
<u>4,080,518</u>	<u>4,366,918</u>	<u>788,473</u>	
(103,280)	(267,680)	13,711	
<u>-</u>	<u>-</u>	<u>494,177</u>	
(103,280)	(267,680)	507,888	
<u>2,756,555</u>	<u>2,663,641</u>	<u>(73,611)</u>	
\$ <u>2,653,275</u>	\$ <u>2,395,961</u>	\$ <u>434,277</u>	

CITY OF KEOSAUQUA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2011

The budgetary comparison is presented as Required Supplemental Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Enterprise Funds and Component Units. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$286,400. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the community and economic development function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF KEOSAUQUA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NONMAJOR PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Nonmajor Proprietary						
	Water Deposit	Water Debt Service	Water Reserve	Sewer Debt Service	Sewer Deposit	Sewer Reserve	Total
OPERATING RECEIPTS:							
Miscellaneous	\$ 1,568	\$ -	\$ -	\$ -	\$ 864	\$ -	\$ 2,432
Total receipts	1,568	-	-	-	864	-	2,432
OPERATING DISBURSEMENTS:							
None							
Excess of receipts over disbursements	1,568	-	-	-	864	-	2,432
OTHER FINANCING SOURCES (USES):							
Transfers in	-	109,278	82,626	33,991	-	31,768	257,663
Transfers out	-	(82,626)	(82,626)	(31,768)	-	(31,768)	(228,788)
Total other financing sources (uses)	-	26,652	-	2,223	-	-	28,875
Net change in cash balances	1,568	26,652	-	2,223	864	-	31,307
CASH BALANCES - Beginning of year	5,961	-	20,194	-	3,067	39,727	68,949
CASH BALANCES - End of year	\$ 7,529	\$ 26,652	\$ 20,194	\$ 2,223	\$ 3,931	\$ 39,727	\$ 100,256
CASH BASIS FUND BALANCES:							
Restricted for:							
Debt service	\$ -	\$ 26,652	\$ 20,194	\$ 2,223	\$ -	\$ 39,727	\$ 88,796
Customer deposits	7,529	-	-	-	3,931	-	11,460
Total cash basis fund balances	\$ 7,529	\$ 26,652	\$ 20,194	\$ 2,223	\$ 3,931	\$ 39,727	\$ 100,256

CITY OF KEOSAUQUA, IOWA

SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance June 30, 2010</u>
<u>REVENUE BONDS/NOTES:</u>				
Sewer project	April 25, 1983	5.00 %	\$ 535,800	\$ 293,706
Water project	August 14, 1979	5.00 %	386,000	171,727
Tax increment financing	December 22, 1997	3.26 %	208,652	109,822
Water project	January 14, 2009	3.25 %	374,000	292,527
Water project	February 10, 2010	3.25 %	189,957	-
Sewer project	September 30, 2003	4.00 %	35,000	25,357
Water project	June 21, 2007	3.25 %	350,000	<u>287,000</u>
Total				\$ <u>1,180,139</u>

SCHEDULE 2

<u>Issued</u> <u>During</u> <u>Year</u>	<u>Redeemed</u> <u>During</u> <u>Year</u>	<u>Balance</u> <u>June 30,</u> <u>2011</u>	<u>Interest</u> <u>Paid</u>	<u>Interest</u> <u>Due and</u> <u>Unpaid</u>
\$ -	\$ 17,244	\$ 276,462	\$ 14,524	\$ -
-	14,195	157,532	8,491	-
-	12,600	97,222	3,619	-
66,473	14,000	345,000	11,098	-
189,957	9,000	180,957	3,669	-
-	1,532	23,825	1,014	-
<u>-</u>	<u>13,000</u>	<u>274,000</u>	<u>5,023</u>	<u>-</u>
\$ <u>256,430</u>	\$ <u>81,571</u>	\$ <u>1,354,998</u>	\$ <u>47,438</u>	\$ <u>-</u>

CITY OF KEOSAUQUA, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2011

Year Ending June 30,	Revenue Bonds and Notes							
	Sewer Project		Water Project		Tax Increment Financing		Sewer Project	
	Issued April 25, 1983		Issued August 14, 1979		Issued December 22, 1997		Issued September 30, 2003	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2012	5.00 %	\$ 17,882	5.00 %	\$ 14,770	3.26 %	\$ 13,400	4.00 %	\$ 1,594
2013	5.00	18,776	5.00	15,509	3.26	14,500	4.00	1,668
2014	5.00	19,715	5.00	16,284	3.26	15,500	4.00	1,724
2015	5.00	20,700	5.00	17,098	3.26	16,700	4.00	1,793
2016	5.00	21,735	5.00	17,953	3.26	17,900	4.00	1,865
2017	5.00	22,822	5.00	18,851	3.26	19,222	4.00	1,939
2018	5.00	23,963	5.00	19,793	-	-	4.00	2,017
2019	5.00	25,161	5.00	20,783	-	-	4.00	2,097
2020	5.00	26,420	-	16,491	-	-	4.00	2,181
2021	5.00	27,740	-	-	-	-	4.00	2,268
2022	5.00	29,128	-	-	-	-	4.00	2,359
2023	5.00	22,420	-	-	-	-	4.00	2,330
2024	-	-	-	-	-	-	-	-
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
Total		\$ 276,462		\$ 157,532		\$ 97,222		\$ 23,825

Year Ending June 30,	Revenue Bonds and Notes							
	Water Project		Water Project		Water Project		Total	
	Issued February 10, 2010		Issued January 14, 2009		Issued June 21, 2007			
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount		
2012	3.25 %	\$ 9,000	3.25 %	\$ 14,000	3.25 %	\$ 13,000	\$	83,646
2013	3.25	10,000	3.25	15,000	3.25	14,000		89,443
2014	3.25	10,000	3.25	15,000	3.25	14,000		92,223
2015	3.25	10,000	3.25	16,000	3.25	15,000		97,291
2016	3.25	11,000	3.25	16,000	3.25	15,000		101,453
2017	3.25	11,000	3.25	17,000	3.25	16,000		106,834
2018	3.25	11,000	3.25	17,000	3.25	16,000		89,773
2019	3.25	12,000	3.25	18,000	3.25	17,000		95,041
2020	3.25	12,000	3.25	19,000	3.25	17,000		93,092
2021	3.25	13,000	3.25	19,000	3.25	18,000		80,008
2022	3.25	13,000	3.25	20,000	3.25	18,000		82,487
2023	3.25	13,000	3.25	21,000	3.25	19,000		77,750
2024	3.25	14,000	3.25	21,000	3.25	20,000		55,000
2025	3.25	14,000	3.25	22,000	3.25	20,000		56,000
2026	3.25	15,000	3.25	23,000	3.25	21,000		59,000
2027	3.25	2,957	3.25	23,000	3.25	21,000		46,957
2028	-	-	3.25	24,000	-	-		24,000
2029	-	-	3.25	25,000	-	-		25,000
Total		\$ 180,957		\$ 345,000		\$ 274,000	\$	1,354,998

CITY OF KEOSAUQUA, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2008

	<u>2011</u>	<u>2008</u>
<u>RECEIPTS:</u>		
Property tax	\$ 173,848	\$ 159,010
Tax increment financing collections	106,118	56,553
Other City tax	54,098	45,959
Use of money and property	14,031	35,744
Intergovernmental	251,387	109,512
Charges for service	84,568	75,658
Miscellaneous	122,969	69,955
Total	\$ <u>807,019</u>	\$ <u>552,391</u>
<u>DISBURSEMENTS:</u>		
Operating:		
Public safety	\$ 39,551	\$ 44,483
Public works	381,654	183,860
Culture and recreation	93,710	87,480
Community and economic development	78,172	36,090
General government	85,307	62,198
Debt service	16,219	14,876
Capital projects	-	148,402
Total	\$ <u>694,613</u>	\$ <u>577,389</u>

CITY OF KEOSAUQUA, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	09-CDR-010 \$	175,080
		08-WS-033	47,253
		08-OT-005	462,805
			<u>685,138</u>
Environmental Protection Agency:			
Iowa Department of Natural Resources:			
Capitalization Grants For Clean Water State Revolving Funds - ARRA	66.458	-	<u>239,630</u>
Total		\$	<u>924,768</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Keosauqua, Iowa and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of City of Keosauqua, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Keosauqua, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 19, 2012. Our report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Keosauqua, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Keosauqua, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Keosauqua, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Keosauqua, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Keosauqua, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City of Keosauqua, Iowa's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Keosauqua, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Keosauqua, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Keosauqua, Iowa and other parties to whom the City may report including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Keosauqua, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Keosauqua, Iowa
March 19, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of City of Keosauqua, Iowa

Compliance

We have audited the City of Keosauqua, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Keosauqua, Iowa's major federal program for the year ended June 30, 2011. The City of Keosauqua, Iowa's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the City of Keosauqua, Iowa's management. Our responsibility is to express an opinion on the City of Keosauqua, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Keosauqua, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Keosauqua, Iowa's compliance with those requirements.

In our opinion, the City of Keosauqua, Iowa complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control over Compliance

The management of the City of Keosauqua, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Keosauqua, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Keosauqua, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 11-III-A to be a material weakness.

The City of Keosauqua, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Keosauqua, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Keosauqua, Iowa and other parties to whom the City of Keosauqua, Iowa may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Keosauqua, Iowa
March 19, 2012

CITY OF KEOSAUQUA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- a) A qualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, because we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010.
- b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- c) The audit did not disclose any noncompliance which is material to the financial statements.
- d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) The City of Keosauqua, Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- 11-II-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – City officials will consider this.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were noted.

CITY OF KEOSAUQUA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 14.228: Community Development Block
Grants/State's Program and Non-Entitlement Grants in Hawaii

- 11-III-A Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item 11-II-A.

Part IV: Other Findings Related to Required Statutory Reporting

- 11-IV-A Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the Community and Economic Development function. Chapter 384.20 of the Code of Iowa states in part "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so in the future, if necessary.

Conclusion – Response accepted.

- 11-IV-B Questionable Disbursements – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 11-IV-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- 11-IV-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Keosauqua Municipal Light and Power, Component Unit of the City of Keosauqua, Iowa	Electrical service	\$ 13,097

In accordance with Chapter 362.5(12) of the Code of Iowa, the transactions with the component unit does not appear to represent a conflict of interest since it was entered into to provide essential City utility services.

CITY OF KEOSAUQUA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

- 11-IV-E Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 11-VI-F Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- 11-IV-G Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 11-IV-H Revenue Bonds and Notes – No instances of noncompliance with the revenue bond and note resolutions were noted.